Financial Statements of

BRITISH COLUMBIA MENTAL HEALTH SOCIETY BRANCH

Year ended March 31, 2016

June 29, 2016

Independent Auditor's Report

To the Board of
British Columbia Mental Health Society Branch

We have audited the accompanying financial statements of British Columbia Mental Health Society Branch, which comprise the statement of financial position as at March 31, 2016 and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation of these financial statements in accordance with the accounting requirements of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership

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Opinion
In our opinion, the financial statements which comprise the statement of financial position as at March 31, 2016 and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and the related notes, are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of matter
Without modifying our opinion, we draw attention to note 1 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 13 to the financial statements discloses the impact of these differences.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

BRITISH COLUMBIA MENTAL HEALTH SOCIETY BRANCH

Statement of Financial Position
(Amounts expressed in thousands of dollars)

As at March 31, 2016

	2016	2015
Financial assets		
Cash and cash equivalents	$ 3	$ 2
Accounts receivable (note 2)	30,005	29,241
	30,008	29,243
Liabilities		
Accounts payable and accrued liabilities (note 3)	2,814	2,100
Retirement allowance (note 4(a))	216	176
Deferred capital contributions (note 5)	374	-
	3,404	2,276
Net financial assets	$ 26,604	$ 26,967
Non-financial assets		
Tangible capital assets (note 6)	$ 374	$ -
Prepaid expenses	396	407
	770	407
Accumulated surplus	$ 27,374	$ 27,374

Commitments and contingencies (note 7)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director and Chair of the Board

Director

BRITISH COLUMBIA MENTAL HEALTH SOCIETY BRANCH

Statement of Operations and Accumulated Surplus
(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

	2016 Budget (note1(j))	2016	2015
Revenues:			
Provincial Health Services Authority contributions	$ 21,493	$ 21,296	$ 7,159
Medical Services Plan	429	767	193
Other contributions (note 8(a))	300	199	-
Patients, clients and residents (note 8(b))	20	86	-
Recoveries from other health authorities and BC government reporting entities	-	55	-
Other (note 8(c))	5	29	7
Amortization of deferred capital contributions (note 5)	-	2	-
	22,247	22,434	7,359
Expenses (note 8(d)):			
Mental health and substance use	22,247	22,416	7,359
Corporate	-	18	-
	22,247	22,434	7,359
Annual surplus	$ -	$ -	$ -
Accumulated surplus, beginning of year	27,374	27,374	27,374
Accumulated surplus, end of year	$ 27,374	$ 27,374	$ 27,374

See accompanying notes to financial statements.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY BRANCH

Statement of Changes in Net Financial Assets
(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

	2016 Budget (note 1(j))	2016	2015
Annual surplus	$ -	$ -	$ -
Acquisition of tangible capital assets	-	(370)	-
Transfer of tangible capital assets from other Agencies	-	(6)	-
Amortization of tangible capital assets	1	2	-
	1	(374)	-
Acquisition of prepaid expenses	-	(1,123)	(748)
Use of prepaid expenses	-	1,134	341
	-	11	(407)
Increase (decrease) in net financial assets	1	(363)	(407)
Net financial assets, beginning of year	26,967	26,967	27,374
Net financial assets, end of year	$ 26,968	$ 26,604	$ 26,967

See accompanying notes to financial statements.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY BRANCH

Statement of Cash Flows
(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

	2016	2015
Cash flows from operating activities:		
Annual surplus	$ -	$ -
Items not involving cash:		
Amortization of deferred capital contributions	(2)	-
Amortization of tangible capital assets	2	-
Retirement allowance expense	40	-
Transfer of employees from other health authorities	-	176
	40	176
Net change in non-cash operating items (note 9(a))	(39)	(174)
Net change in cash from operating activities	1	2
Capital activities:		
Acquisition of tangible capital assets (note 9(b))	(370)	-
Net change in cash from capital activities	(370)	-
Financing activities:		
Capital contributions	370	-
Net change in cash from financing activities	370	-
Increase in cash and cash equivalents	1	2
Cash and cash equivalents, beginning of year	2	-
Cash and cash equivalents, end of year	$ 3	$ 2

Supplementary cash flow information (note 9)

See accompanying notes to financial statements.

The British Columbia Mental Health Society Branch (the "Branch") is a branch society of the Provincial Health Services Authority ("PHSA" or the "Authority"), which was created under the *Society Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health (the "Ministry") and is one of six health authorities in British Columbia ("BC"). The Branch is dependent on the Ministry to provide sufficient funds to continue operations, replace essential equipment, and complete its capital projects. The Branch is a not-for-profit organization under the *Income Tax Act* and, as such, is exempt from income and capital taxes.

The following agencies/programs (collectively referred to as "Agencies") are also included in PHSA:

British Columbia Cancer Agency Branch;

British Columbia Centre for Disease Control and Prevention Society Branch;

British Columbia Emergency Health Services Corporation;

British Columbia Provincial Renal Agency;

British Columbia Transplant Society Branch;

Cardiac Services British Columbia;

Children's & Women's Health Centre of British Columbia Branch;

Forensic Psychiatric Services Commission; and

Health Shared Services BC.

Effective December 31, 2001, the above-noted branch societies except for Health Shared Services BC and British Columbia Emergency Health Services Corporation were amalgamated with, and continue the operations of, their respective former societies under bylaws and constitutions consistent with PHSA. The amalgamated Branch is considered a continuation of the former Branch for financial reporting purposes.

Effective April 1, 2016, the operations of Health Shared Services BC were transferred to BC Clinical and Support Services Society, a separate legal entity independent of PHSA.

1. Significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board, referred to as the financial reporting framework (the "framework").

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB") without any PS 4200 series.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred capital contributions, and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal periods during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

(ii) Contributions externally restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions or deferred research and designated contributions, and recognized in revenue in the year in which the stipulation or restriction on the contributions has been met by the Branch.

For BC tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS which require that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with PS 3410, *Government Transfers*;

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified, in accordance with PS 3100, *Restricted Assets and Revenues*; and
- deferred contributions meet liability criteria in accordance with PS 3200, *Liabilities*

As a result, revenue recognized in the statement of operations and certain deferred capital contributions would be recorded differently under PSAS. The impact of accounting for restricted contributions in accordance with Regulation 198/2011 is disclosed in note 13.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand.

(c) Accounts receivable:

Accounts receivable are recorded at amortized cost less an amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value when risk of loss exists. Changes in valuation allowance are recognized in the statement of operations.

(d) Employee benefits:

(i) Defined benefit obligations, including multiple employer benefit plans:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability and health and welfare benefits plans as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. Plan assets are measured at fair value.

(ii) Defined benefit obligations, including multiple employer benefit plans:

The cumulative unrecognized actuarial gains and losses on retirement allowance benefits are amortized over the expected average remaining service lifetime of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 11 years (2015 – 10 years). Actuarial gains and losses on event-driven benefits such as long-term disability and health and welfare benefits that do not vest or accumulate are recognized immediately.

1. Significant accounting policies (continued):

(d) Employee benefits (continued):

(ii) Defined bc ...t obligations, including multiple employer benefit plans (continued):

The discount rate used to measure the obligations is based on the Province of BC's cost of borrowing if there are no plan assets. Where there are plan assets, the discount rate is the rate of return on plan assets. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(iii) Defined contribution plans and multi-employer benefit plans:

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when they become payable.

(iv) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits based on estimates of the expected future settlements.

(v) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Branch to pay benefits occurs.

(e) Non-financial assets:

Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period during which the service benefits are received.

(f) Revenue recognition:

Under the *Hospital Insurance Act* and *Regulation* thereto, the Branch is funded primarily by the Province of BC in accordance with budget management plans and performance agreements established and approved by the Ministry.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Revenues related to fees or services received in advance of the fees being earned or the services being performed are deferred and recognized when the fees are earned or services are performed.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

1. Significant accounting policies (continued):

(f) Revenue recognition (continued):

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided fair value can be reasonably determined.

(g) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of estimates include the valuation of accounts receivable, contingent liabilities and the future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(h) Foreign currency translation:

The Branch's functional currency is the Canadian dollar. The Branch does not have significant transactions denominated in foreign currencies.

(i) Financial instruments:

Financial instrument classification is determined upon inception. Financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at cost less any amount for valuation allowance. All other financial liabilities are recorded using cost or amortized cost.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

A financial liability or its part is derecognized when it is extinguished.

1. Significant accounting policies (continued):

(i) Financial instruments (continued):

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the Branch's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

(j) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Branch's Fiscal 2015/2016 Budget approved by the Board of Directors on April 23, 2015. The budget is reflected in the statement of operations and accumulated surplus and the statement of changes in net debt.

(k) Future accounting standards:

(i) In March 2015, PSAB issued PS 2200, *Related Party Disclosures*. PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the financial statements. PS 2200 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 2200 on the financial statements of the Branch.

(ii) In March 2015, PSAB issued PS 3420, *Inter-entity Transactions*. PS 3420 establishes standards of how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective. The main features of the standard are as follows:

- Under a policy of cost allocation, revenues and expenses are recognized on a gross basis;
- Transactions are measured at the carrying amount, except in specific circumstances;
- A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice; and
- The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.

1. Significant accounting policies (continued):

(k) Future accounting standards (continued):

Requirements of this standard are considered in conjunction with requirements of PS 2200. PS 3420 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3420 on the financial statements of the Branch.

(iii) In June 2015, PSAB issued PS 3210, *Assets*. PS 3210 provides guidance for applying the definition of assets set out in PS 1000, *Financial Statement Concepts*, and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, a disclosure should be provided. PS 3210 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3210 on the financial statements of the Branch.

(iv) In June 2015, PSAB issued PS 3320, *Contingent Assets*. PS 3320 defines and establishes disclosure standards for contingent assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely. PS 3320 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3320 on the financial statements of the Branch.

(v) In June 2015, PSAB issued PS 3380, *Contractual Rights*. PS 3380 defines and establishes disclosure standards for contractual rights. Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Disclosure of information about contractual rights is required including description of their nature and extent, and the timing. PS 3380 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3380 on the financial statements of the Branch.

(vi) In June 2015, PSAB issued PS 3430, *Restructuring Transactions*. PS 3430 defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. The main features of PS 3430 are as follows:

- A restructuring transaction is a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities without consideration based primarily on the fair value of the individual assets and individual liabilities transferred;
- The net effect of a restructuring transaction should be recognized as revenue or as an expense by entities involved;

1. Significant accounting policies (continued):

(k) Future accounting standards (continued):

- A transferor should derecognize individual assets and liabilities transferred in a restructuring transaction at their carrying amount at the restructuring date;
- A recipient should recognize individual assets and liabilities received in a restructuring transaction at their carrying amount with applicable adjustments at the restructuring date;
- A transferor and a recipient should not restate their financial position or results of operations; and
- A transferor and a recipient should disclose sufficient information to enable users to assess the nature and financial effects of a restructuring transaction on their financial position and operations.

PS 3430 applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. The Branch adopted the requirements of PS 3430 earlier, in the fiscal year that began on April 1, 2016.

2. Accounts receivable:

		2016		2015
Provincial Health Services Authority	$	29,885	$	28,559
Medical Services Plan		67		149
Federal government		19		22
Patients, clients and residents		18		-
Other health authorities and BC government reporting entities		-		492
Other		16		19
	$	30,005	$	29,241

3. Accounts payable and accrued liabilities:

		2016		2015
Trade accounts payable and accrued liabilities	$	1,534	$	1,252
Salaries and benefits payable		874		560
Accrued vacation pay		406		288
	$	2,814	$	2,100

4. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or more years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective or employee agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Branch's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2015 and extrapolated to March 31, 2016 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2016 are derived. The next expected valuation will be as of December 31, 2018.

Information about retirement allowance benefits is as follows:

		2016		2015
Accrued benefit obligation:				
Severance benefits	$	115	$	81
Sick leave benefits		110		95
		225		176
Unamortized actuarial loss		(9)		-
Accrued benefit liability	$	216	$	176

The accrued benefit liability for retirement allowance reported on the statement of financial position is as follows:

		2016		2015
Accrued benefit liability, beginning of year	$	176	$	-
Net benefit expense:				
Current service cost		33		-
Interest expense		7		-
Net benefit expense		40		-
Transfer of employees from other health authorities		-		176
Accrued benefit liability, end of year	$	216	$	176

4. Employee benefits (continued):

(a) Retirement allowance (continued):

The significant actuarial assumptions adopted in measuring the Branch's accrued retirement benefit obligation are as follows:

	2016	2015
Accrued benefit obligation as at March 31:		
Discount rate	3.93%	3.98%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.98%	4.26%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

(b) Healthcare Benefit Trust benefits:

(i) Long-term disability and health and welfare benefits:

The Healthcare Benefit Trust (the "Trust") administers long-term disability benefits and group life insurance, accidental death and dismemberment, extended health and dental claims ("health and welfare benefits") for certain employee groups of the Branch and other provincially funded organizations.

The Trust is a multiple employer plan with respect to long-term disability benefits initiated after September 30, 1997 and health and welfare benefits after December 31, 2014. The assets and liabilities for these long-term disability and health and welfare benefits have been segregated for PHSA, but not for individual branches of PHSA. Accordingly, the Branch participates in a multi-employer defined benefit plan for long-term disability and health and welfare benefits that is now restricted to members of PHSA.

The most recent actuarial valuation for the PHSA plan at December 31, 2015 extrapolated to March 31, 2016 indicated a deficit of $1,978 (2015 – surplus of $9,860). Contributions of $432 (2015 – $86) were expensed during the year. The PHSA plan covers approximately 10,300 active employees, of which approximately 100 are employees of the Branch (2015 – 200). The next expected valuation will be as of December 31, 2016.

4. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(ii) Joint benefit trusts:

The 2014-2019 Health Science Professionals Bargaining Association, Community Bargaining Association and Facilities Bargaining Association collective agreements include provisions to establish joint benefit trusts to provide long-term disability and health and welfare benefits to the employees covered by these agreements. During the 2016/17 fiscal year, management of the long-term disability and health and welfare benefits being provided to these employee groups through the Trust will transition to the joint benefit trusts.

(c) Employee pension benefits:

The Branch and its employees contribute to the Municipal Pension Plan, a multi-employer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of $737 (2015 – $155) were expensed during the year. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2012 indicated an unfunded liability of approximately $1,370,000. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 184,000 active members, of which approximately 170 are employees of the Branch (2015 – 120). The actuarial valuation date was as of December 31, 2015, with results available in fall 2016. The next expected valuation will be as of December 31, 2018.

5. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of tangible capital assets.

		2016		2015
Deferred capital contributions, beginning of year	$	-	$	-
Capital contributions received:				
Provincial Health Services Authority		370		-
Transfer of tangible capital assets from other Agencies		6		-
Amortization for the year		(2)		-
Deferred capital contributions, end of year	$	374	$	-

The Branch does not have unspent capital contributions.

6. Tangible capital assets:

Cost	2015	Transfers	Additions	2016
Equipment	$ -	$ 6	$ -	$ 6
Construction in progress	-	-	370	370
Total	$ -	$ 6	$ 370	$ 376

Accumulated amortization	2015	Amortization	2016
Equipment	$ -	$ 2	$ 2
Total	$ -	$ 2	$ 2

Net book value	2016	2015
Equipment	$ 4	$ -
Construction in progress	370	-
Total	$ 374	$ -

All tangible capital assets of the Branch are funded by the deferred capital contributions.

7. Commitments and contingencies:

(a) Construction, equipment and information systems in progress:

As at March 31, 2016, the Branch had outstanding commitments for construction, equipment and information systems in progress of $97 (2015 – $-).

(b) Litigation and claims:

Risk management and insurance services for all health authorities in BC are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

The nature of the Branch's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2016, management is of the opinion that the Branch has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Branch's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

8. Statement of operations:

(a) Other contributions:

Other contributions are from other ministries.

(b) Patients, clients and residents:

	2016	2015
Residents of BC self pay	$ 66	$ -
Federal government	20	-
	$ 86	$ -

(c) Other revenues:

Other revenues are recoveries from sales of goods and services.

8. Statement of operations (continued):

(d) The following is a summary of expenses by object:

	2016	2015
Compensation and benefits:		
Compensation	$ 10,828	$ 2,342
Employee benefits	2,022	468
	12,850	2,810
Referred-out and contracted services:		
Health and support services providers	5,958	2,523
Other health authorities and BC government reporting entities	1,231	134
	7,189	2,657
Equipment and building services:		
Rent	805	262
Equipment	232	455
Building and grounds service contracts	41	743
Plant operations (utilities)	-	2
	1,078	1,462
Sundry:		
Professional fees	412	134
Travel	89	1
Communication and data processing	13	3
Patient transport	10	8
Other	201	33
	725	179
Supplies:		
Drugs and medical gases	141	24
Diagnostic	59	13
Food and dietary	46	3
Printing, stationery and office	39	9
Medical and surgical	15	4
Laundry and linen	8	71
Housekeeping	4	18
Other	278	109
	590	251
Amortization of tangible capital assets	2	-
	$ 22,434	$ 7,359

9. Supplementary cash flow information:

(a) Net change in non-cash operating items:

	2016	2015
Accounts receivable	$ (764)	$ (1,867)
Accounts payable and accrued liabilities	714	2,100
Prepaid expenses	11	(407)
	$ (39)	$ (174)

(b) Acquisition of tangible capital assets:

Assets purchased or acquired through non-cash transactions are excluded from acquisition of tangible capital assets on the statement of cash flows.

	2016	2015
Transfer of tangible capital assets from other Agencies	$ 6	$ -

10. Related parties and other agencies:

(a) BC government reporting entities:

The Branch is related through common control to all Province of BC ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The financial statements include transactions and balances with these parties in the following amounts:

	2016	2015
Revenues:		
Medical Services Plan	$ 767	$ 193
Other contributions	199	-
Other health authorities and government entities	55	-
	1,021	193

10. Related parties and other agencies (continued):

(a) BC government reporting entities (continued):

		2016		2015
Expenses:				
Referred-out and contracted services	$	1,231	$	134
Equipment and building services		823		294
Sundry		96		151
Supplies		4		-
	$	2,154	$	579
Accounts receivable:				
Medical Services Plan	$	67	$	149
Other health authorities and BC government reporting entities		-		492
	$	67	$	641
Accounts payable and accrued liabilities	$	252	$	222
	$	252	$	222

(b) Foundations and auxiliaries:

The Branch had economic relationships with the British Columbia Mental Health Foundation (the "Foundation") which is responsible for fundraising activities for the Branch. The Foundation is a separate legal entity incorporated under the *Society Act of British Columbia* with separate governance structures. The Foundation is a registered charity under the provisions of the *Income Tax Act* of Canada. The financial and non-financial assets and liabilities and results from operations of the Foundation are not included in the financial statements of the Branch.

During 2016 and 2015, the Branch did not receive contributions from the Foundation.

(c) Related party transactions with PHSA and members:

Certain administrative, finance and accounting, and human resource services are provided to the Branch by PHSA without charge. The costs of these services have not been recorded in the financial statements of the Branch.

10. Related parties and other agencies (continued):

(c) Related party transactions with PHSA and members (continued):

During the year, the Branch was involved in the following related party transactions with other PHSA members:

For the year ended March 31, 2016, expenses include $631 (2015 – $305) resulting from transactions with other PHSA members.

The above amounts exclude transactions with PHSA which are disclosed elsewhere in these financial statements.

11. Risk management:

The Branch is exposed to credit risk, liquidity risk and foreign exchange risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from the Branch's financial instruments is provided below by type of risk.

(a) Credit risk:

Credit risk primarily arises from the Branch's cash and cash equivalents and accounts receivable. The risk exposure is limited to their carrying amounts at the date of the statement of financial position.

The Branch manages credit risk by holding balances of cash and cash equivalents with a reputable top rated financial institution. The Branch periodically reviews its investments and is satisfied with the credit rating of the financial institution.

Accounts receivable primarily consist of amounts receivable from the Ministry, PHSA, other health authorities and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors, etc. To reduce the risk, the Branch periodically reviews the collectibility of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts.

The Branch is not exposed to significant credit risk with respect to the amounts receivable from the Ministry, PHSA, other health authorities and BC government reporting entities. No accounts receivable from other parties were past due as at March 31, 2016.

(b) Liquidity risk:

Liquidity risk is the risk that the Branch will not be able to meet its financial obligations as they become due. It is the Branch's intention to meet its financial obligations through the collection of current accounts receivable, cash on hand and future funding from the Ministry.

11. Risk management (continued):

(b) Liquidity risk (continued):

The Branch's principal source of funding is from the Ministry. The Branch is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter or grant documentation. The Branch has complied with the external restrictions on the funding provided.

All financial assets and liabilities of the Branch have maturities within one year.

12. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

13. Impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011:

As disclosed in the significant accounting policies note 1(a), Regulation 198/2011 requires the Branch to recognize revenue from restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset on the same basis as the related amortization expense of the tangible capital asset. As these transfers do not contain stipulations or restrictions creating a liability over the term of the expected useful life of a related tangible capital asset, PSAS would require these contributions to be recognized in revenue as a tangible capital asset is acquired or development and construction of a tangible capital asset is complete.

The impact of the departure from PSAS on the financial statements of the Branch is as follows:

As at March 31, 2015	$ -
For the year ended March 31, 2016	
Increase in annual surplus	374
As at March 31, 2016	
Increase in accumulated surplus	374
Decrease in deferred capital contributions	(374)